

Message Text

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ACTION EUR-12

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FM AMEMBASSY ANKARA
TO SECSTATE WASHDC NIACT IMMEDIATE 2951
INFO AMEMBASSY ATHENS
AMEMBASSY NICOSIA
AMCONSUL ADANA
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY PARIS
AMEMBASSY BRUSSELS

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USOECD

USEEC

E.O. 11652 N/A
TAGS: EGEN, EFIN, PINT, TU
SUBJ: GOVERNOR OF CENTRAL BANK BLASTS MINISTER OF FINANCE

1. CENTRAL BANK GOVERNOR TAYYAR SADIKLAR READ AT PRESS CONFERENCE
AUGUST 11 LENGTHY WRITTEN BLAST AT FINANCE
MINISTER ZIYA MUEZZINOGLU. GOVERNOR CHARGED THAT CENTRAL BANK WAS
BEING BLAMED FOR TURKEY'S ECONOMIC ILLS. IF IT WAS, HE SAID, THERE
WERE A FEW THINGS THAT HE WOULD LIKE TO SAY AND HE TICKED OFF AREAS
OF POLICY DISAGREEMENT WITH THE GOVERNMENT. ALTHOUGH THE MINISTER
HAD MADE INSISTENT EFFORTS TO REMOVE HIM FROM OFFICE, HE DECLARED
THAT HE WOULD STAY IN ORDER TO PROTECT THE PRINCIPLE OF AN
INDEPENDENT CENTRAL BANK.

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2. GOVERNOR MADE CLEAR THAT MINISTRY
OF FINANCE HAS CUT OUT CENTRAL BANK FROM DIALOG ON
ECONOMIC POLICY. SADIKLAR CHARGED THAT THE ATTITUDE OF THE
MINISTER HAD BROUGHT RELATIONS BETWEEN THE BANK AND THE MINISTRY
TO A POINT OF DANGER TO THE INTERESTS OF THE COUNTRY. CITING A
LACK OF COORDINATION AND DIALOGUE BETWEEN THE MINISTRY AND THE

CENTRAL BANK, SADIKLAR COMPLAINED THAT THE STATE PLANNING ORGANIZATION WAS INVOLVED IN CURRENCY MATTERS AND THAT THE CENTRAL BANK WAS NOT BEING CONSULTED ON THEM; THAT THE CENTRAL BANK HAD NEVER BEEN OFFICIALLY INFORMED OF CREDIT LIMITS ESTABLISHED IN THE LETTER OF INTENT WITH THE IMF (ALTHOUGH, HE ADMITTED, ITS OFFICIALS HAD BEEN INFORMED ORALLY AT MEETINGS); AND THAT AGRICULTURAL SUPPORT PRICE DECREES HAVE BEEN PROMULGATED WITHOUT CONSULTING THE CENTRAL BANK.

3. SADIKLAR PRAISED THE GOVERNMENT FOR A NUMBER OF ITS ECONOMIC STABILIZATION EFFORTS, PARTICULARLY FOR HAVING REACHED AGREEMENT WITH THE IMF, AND FOR HAVING ENTERED INTO A "SOCIAL CONTRACT" WITH TURK-IS. WHETHER THE GOVERNMENT WAS PREPARED TO ADMIT THE FACT OR NOT, SADIKLAR CLAIMED, MOST OF THE STABILIZATION MEASURES THAT IT FINALLY ADOPTED HAD FIRST BEEN PROPOSED BY THE CENTRAL BANK.

4. AMONG THE POINTS ON WHICH SADIKLAR TOOK ISSUE WITH THE GOVERNMENT WERE THE FOLLOWING:

-- HIGH-GROWTH-RATE POLICY: HIGH RATES OF DEVELOPMENT, INVESTMENT, AND IMPORTS MEAN HIGH TRADE DEFICITS, HE SAID.

-- FOREIGN EXCHANGE ALLOCATIONS: STOP ANY ALLOCATIONS TO PILGRIMS GOING TO MECCA.

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-- DEFICIT FINANCING: THE CENTRAL BANK SHOULD NOT BE ASKED BY THE GOVERNMENT TO FINANCE ANY DEFICITS NOT FORESEEN IN THE STABILIZATION PROGRAM.

-- OVER-GENEROUS PUBLIC WAGE SETTLEMENTS: COLLECTIVE BARGAINING AGREEMENTS WITH WORKERS IN STATE ENTERPRISES HAVE SKEWED THE COUNTRY'S WAGE STRUCTURE SO THAT A JANITOR IN ONE OF THESE FIRMS NOW GETS A SALARY EQUAL TO AN UNDERSECRETARY IN A MINISTRY.

-- FINANCING OF PUBLIC ENTERPRISES: PRICES CHARGED BY STATE ENTERPRISES BARELY COVER HALF THEIR COSTS AND GOVERNMENT FINANCING OF THEIR DEFICITS TAXES THOSE WHO DO NOT USE THOSE GOODS AND SERVICES AND SUBSIDIZES THOSE WHO DO.

5. GOVERNOR'S PRESS CONFERENCE RECEIVED ONE MINUTE'S ATTENTION ON GOVERNMENT TV AUGUST 11 ALTHOUGH IT GOT SUBSTANTIAL PRESS COVERAGE MORNING AUGUST 12. CUMHURIYET AND OTHER LEFTIST PAPERS QUOTED MUEZZINOGLU AS SAYING THAT SADIKLAR HAD FALSIFIED CENTRAL BANK BANK BALANCE SHEETS. OPPOSITION PRESS BACKED GOVERNOR, SAYING THAT RELATIONS BETWEEN THE GOVERNMENT AND THE BANK HAD REACHED A CRITICAL POINT. DILLON

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